

SSB 5749 - H COMM AMD

By Committee on Ways & Means

ADOPTED AND ENGROSSED 4/7/11

1 Strike everything after the enacting clause and insert the
2 following:

3 "Sec. 1. RCW 28B.95.020 and 2007 c 405 s 8 are each amended to
4 read as follows:

5 The definitions in this section apply throughout this chapter,
6 unless the context clearly requires otherwise.

7 (1) "Academic year" means the regular nine-month, three-quarter, or
8 two-semester period annually occurring between August 1st and July
9 31st.

10 (2) "Account" means the Washington advanced college tuition payment
11 program account established for the deposit of all money received by
12 the board from eligible purchasers and interest earnings on investments
13 of funds in the account, as well as for all expenditures on behalf of
14 eligible beneficiaries for the redemption of tuition units and for the
15 development of any authorized college savings program pursuant to RCW
16 28B.95.150.

17 (3) "Board" means the higher education coordinating board as
18 defined in chapter 28B.76 RCW.

19 (4) "Committee on advanced tuition payment" or "committee" means a
20 committee of the following members: The state treasurer, the director
21 of the office of financial management, the executive director of the
22 higher education coordinating board, or their designees, and two
23 members to be appointed by the governor for four-year terms, one
24 representing program participants and one private business
25 representative with marketing, public relations, or financial
26 expertise.

27 (5) "Governing body" means the committee empowered by the
28 legislature to administer the Washington advanced college tuition
29 payment program.

1 (6) "Contractual obligation" means a legally binding contract of
2 the state with the purchaser and the beneficiary establishing that
3 purchases of tuition units will be worth the same number of tuition
4 units at the time of redemption as they were worth at the time of the
5 purchase.

6 (7) "Eligible beneficiary" means the person for whom the tuition
7 unit will be redeemed for attendance at an institution of higher
8 education. The beneficiary is that person named by the purchaser at
9 the time that a tuition unit contract is accepted by the governing
10 body. Qualified organizations, as allowed under section 529 of the
11 federal internal revenue code, purchasing tuition unit contracts as
12 future scholarships need not designate a beneficiary at the time of
13 purchase.

14 (8) "Eligible purchaser" means an individual or organization that
15 has entered into a tuition unit contract with the governing body for
16 the purchase of tuition units for an eligible beneficiary. The state
17 of Washington may be an eligible purchaser for purposes of purchasing
18 tuition units to be held for granting Washington college bound
19 scholarships.

20 (9) "Full-time tuition charges" means resident tuition charges at
21 a state institution of higher education for enrollments between ten
22 credits and eighteen credit hours per academic term.

23 (10) "Institution of higher education" means an institution that
24 offers education beyond the secondary level and is recognized by the
25 internal revenue service under chapter 529 of the internal revenue
26 code.

27 (11) "Investment board" means the state investment board as defined
28 in chapter 43.33A RCW.

29 (12) "State institution of higher education" means institutions of
30 higher education as defined in RCW 28B.10.016.

31 (13) "Tuition and fees" means undergraduate tuition and services
32 and activities fees as defined in RCW 28B.15.020 and 28B.15.041 rounded
33 to the nearest whole dollar. For purposes of this chapter, services
34 and activities fees do not include fees charged for the payment of
35 bonds heretofore or hereafter issued for, or other indebtedness
36 incurred to pay, all or part of the cost of acquiring, constructing, or
37 installing any lands, buildings, or facilities.

1 (14) "Tuition unit contract" means a contract between an eligible
2 purchaser and the governing body, or a successor agency appointed for
3 administration of this chapter, for the purchase of tuition units for
4 a specified beneficiary that may be redeemed at a later date for an
5 equal number of tuition units.

6 (15) "Unit purchase price" means the minimum cost to purchase one
7 tuition unit for an eligible beneficiary. Generally, the minimum
8 purchase price is one percent of the undergraduate tuition and fees for
9 the current year, rounded to the nearest whole dollar, adjusted for the
10 costs of administration and adjusted to ensure the actuarial soundness
11 of the account. The analysis for price setting shall also include, but
12 not be limited to consideration of past and projected patterns of
13 tuition increases, program liability, past and projected investment
14 returns, and the need for a prudent stabilization reserve.

15 **Sec. 2.** RCW 28B.95.030 and 2005 c 272 s 2 are each amended to read
16 as follows:

17 (1) The Washington advanced college tuition payment program shall
18 be administered by the committee on advanced tuition payment which
19 shall be chaired by the executive director of the board. The committee
20 shall be supported by staff of the board.

21 (2)(a) The Washington advanced college tuition payment program
22 shall consist of the sale of tuition units, which may be redeemed by
23 the beneficiary at a future date for an equal number of tuition units
24 regardless of any increase in the price of tuition, that may have
25 occurred in the interval.

26 (b) Each purchase shall be worth a specific number of or fraction
27 of tuition units at each state institution of higher education as
28 determined by the governing body.

29 (c) The number of tuition units necessary to pay for a full year's,
30 full-time undergraduate tuition and fee charges at a state institution
31 of higher education shall be set by the governing body at the time a
32 purchaser enters into a tuition unit contract.

33 (d) The governing body may limit the number of tuition units
34 purchased by any one purchaser or on behalf of any one beneficiary,
35 however, no limit may be imposed that is less than that necessary to
36 achieve four years of full-time, undergraduate tuition charges at a

1 state institution of higher education. The governing body also may, at
2 its discretion, limit the number of participants, if needed, to ensure
3 the actuarial soundness and integrity of the program.

4 (e) While the Washington advanced college tuition payment program
5 is designed to help all citizens of the state of Washington, the
6 governing body may determine residency requirements for eligible
7 purchasers and eligible beneficiaries to ensure the actuarial soundness
8 and integrity of the program.

9 (3)(a) No tuition unit may be redeemed until two years after the
10 purchase of the unit. Units may be redeemed for enrollment at any
11 institution of higher education that is recognized by the internal
12 revenue service under chapter 529 of the internal revenue code.

13 (b) Units redeemed at a nonstate institution of higher education or
14 for graduate enrollment shall be redeemed at the rate for state public
15 institutions in effect at the time of redemption.

16 (4) The governing body shall determine the conditions under which
17 the tuition benefit may be transferred to another family member. In
18 permitting such transfers, the governing body may not allow the tuition
19 benefit to be bought, sold, bartered, or otherwise exchanged for goods
20 and services by either the beneficiary or the purchaser.

21 (5) The governing body shall administer the Washington advanced
22 college tuition payment program in a manner reasonably designed to be
23 actuarially sound, such that the assets of the trust will be sufficient
24 to defray the obligations of the trust including the costs of
25 administration. The governing body may, at its discretion, discount
26 the minimum purchase price for certain kinds of purchases such as those
27 from families with young children, as long as the actuarial soundness
28 of the account is not jeopardized.

29 (6) The governing body shall annually determine current value of a
30 tuition unit.

31 (7) The governing body shall promote, advertise, and publicize the
32 Washington advanced college tuition payment program.

33 (8) In addition to any other powers conferred by this chapter, the
34 governing body may:

35 (a) Impose reasonable limits on the number of tuition units or
36 units that may be used in any one year;

37 (b) Determine and set any time limits, if necessary, for the use of
38 benefits under this chapter;

1 (c) Impose and collect administrative fees and charges in
2 connection with any transaction under this chapter;

3 (d) Appoint and use advisory committees and the state actuary as
4 needed to provide program direction and guidance;

5 (e) Formulate and adopt all other policies and rules necessary for
6 the efficient administration of the program;

7 (f) Consider the addition of an advanced payment program for room
8 and board contracts and also consider a college savings program;

9 (g) Purchase insurance from insurers licensed to do business in the
10 state, to provide for coverage against any loss in connection with the
11 account's property, assets, or activities or to further insure the
12 value of the tuition units;

13 (h) Make, execute, and deliver contracts, conveyances, and other
14 instruments necessary to the exercise and discharge of its powers and
15 duties under this chapter;

16 (i) Contract for the provision for all or part of the services
17 necessary for the management and operation of the program with other
18 state or nonstate entities authorized to do business in the state;

19 (j) Contract for other services or for goods needed by the
20 governing body in the conduct of its business under this chapter;

21 (k) Contract with financial consultants, actuaries, auditors, and
22 other consultants as necessary to carry out its responsibilities under
23 this chapter;

24 (l) Solicit and accept cash donations and grants from any person,
25 governmental agency, private business, or organization; and

26 (m) Perform all acts necessary and proper to carry out the duties
27 and responsibilities of this program under this chapter.

28 **Sec. 3.** RCW 28B.95.080 and 1997 c 289 s 8 are each amended to read
29 as follows:

30 The governing body shall annually evaluate, and cause to be
31 evaluated by ((~~a nationally recognized~~)) the state actuary, the
32 soundness of the account and determine the additional assets needed, if
33 any, to defray the obligations of the account. The governing body
34 shall also adopt an actuarially sound and prudently predictable
35 reserving strategy that provides long-term assets to meet the long-term
36 obligations of the account.

1 If funds are (~~not sufficient~~) determined by the governing body,
2 based on actuarial analysis to be insufficient to ensure the actuarial
3 soundness of the account, the governing body shall adjust the price of
4 subsequent tuition credit purchases to ensure its soundness.

5 If there are insufficient numbers of new purchases to ensure the
6 actuarial soundness of the account, the governing body shall request
7 such funds from the legislature as are required to ensure the integrity
8 of the program. Funds may be appropriated directly to the account or
9 appropriated under the condition that they be repaid at a later date.
10 The repayment shall be made at such time that the account is again
11 determined to be actuarially sound.

12 **Sec. 4.** RCW 28B.95.150 and 2001 c 184 s 2 are each amended to read
13 as follows:

14 (1) The committee may establish a college savings program. If such
15 a program is established, the college savings program shall be
16 established, in such form as may be determined by the committee, to be
17 a qualified state tuition program as defined by the internal revenue
18 service under section 529 of the internal revenue code, and shall be
19 administered in a manner consistent with the Washington advanced
20 college tuition payment program. The committee, in planning and
21 devising the program, shall consult with the state investment board,
22 the state treasurer, (~~a qualified actuarial consulting firm with~~
23 ~~appropriate expertise to evaluate such plans~~) the state actuary, the
24 legislative fiscal and higher education committees, and the
25 institutions of higher education.

26 (2) Up to two hundred thousand dollars of administrative fees
27 collected from guaranteed education tuition program participants may be
28 applied as a loan to fund the development of a college savings program.
29 This loan must be repaid with interest before the conclusion of the
30 biennium in which the committee draws funds for this purpose from the
31 advanced college tuition payment program account.

32 (3) If such a college savings program is established, the college
33 savings program account is created in the custody of the state
34 treasurer for the purpose of administering the college savings program.
35 If created, the account shall be a discrete nontreasury account in the
36 custody of the state treasurer. Interest earnings shall be retained in
37 accordance with RCW 43.79A.040. Disbursements from the account, except

1 for program administration, are exempt from appropriations and the
2 allotment provisions of chapter 43.88 RCW. Money used for program
3 administration is subject to the allotment provisions, but without
4 appropriation.

5 (4) The committee, after consultation with the state investment
6 board, shall determine the investment policies for the college savings
7 program. Program contributions may be invested by the state investment
8 board or the committee may contract with an investment company licensed
9 to conduct business in this state to do the investing. The committee
10 shall keep or cause to be kept full and adequate accounts and records
11 of the assets of each individual participant in the college savings
12 program.

13 (5) Neither the state nor any eligible educational institution may
14 be considered or held to be an insurer of the funds or assets of the
15 individual participant accounts in the college savings program created
16 under this section nor may any such entity be held liable for any
17 shortage of funds in the event that balances in the individual
18 participant accounts are insufficient to meet the educational expenses
19 of the institution chosen by the student for which the individual
20 participant account was intended.

21 (6) The committee shall adopt rules to implement this section.
22 Such rules shall include but not be limited to administration,
23 investment management, promotion, and marketing; compliance with
24 internal revenue service standards; application procedures and fees;
25 start-up costs; phasing in the savings program and withdrawals
26 therefrom; deterrents to early withdrawals and provisions for hardship
27 withdrawals; and reenrollment in the savings program after withdrawal.

28 (7) The committee may, at its discretion, determine to cease
29 operation of the college savings program if it determines the
30 continuation is not in the best interest of the state. The committee
31 shall adopt rules to implement this section addressing the orderly
32 distribution of assets.

33 **Sec. 5.** RCW 44.44.040 and 2003 c 295 s 4 and 2003 c 92 s 2 are
34 each reenacted and amended to read as follows:

35 The office of the state actuary shall have the following powers and
36 duties:

1 (1) Perform all actuarial services for the department of retirement
2 systems, including all studies required by law.

3 (2) Advise the legislature and the governor regarding pension
4 benefit provisions, and funding policies and investment policies of the
5 state investment board.

6 (3) Consult with the legislature and the governor concerning
7 determination of actuarial assumptions used by the department of
8 retirement systems.

9 (4) Prepare a report, to be known as the actuarial fiscal note, on
10 each pension bill introduced in the legislature which briefly explains
11 the financial impact of the bill. The actuarial fiscal note shall
12 include: (a) The statutorily required contribution for the biennium
13 and the following twenty-five years; (b) the biennial cost of the
14 increased benefits if these exceed the required contribution; and (c)
15 any change in the present value of the unfunded accrued benefits. An
16 actuarial fiscal note shall also be prepared for all amendments which
17 are offered in committee or on the floor of the house of
18 representatives or the senate to any pension bill. However, a majority
19 of the members present may suspend the requirement for an actuarial
20 fiscal note for amendments offered on the floor of the house of
21 representatives or the senate.

22 (5) Provide such actuarial services to the legislature as may be
23 requested from time to time.

24 (6) Provide staff and assistance to the committee established under
25 RCW 41.04.276.

26 (7) Provide actuarial assistance to the law enforcement officers'
27 and firefighters' plan 2 retirement board as provided in chapter 2,
28 Laws of 2003. Reimbursement for services shall be made to the state
29 actuary under RCW 39.34.130 and section 5(5), chapter 2, Laws of 2003.

30 (8) Provide actuarial assistance to the committee on advanced
31 tuition payments pursuant to chapter 28B.95 RCW. Reimbursement for
32 services shall be made to the state actuary under RCW 39.34.130."

33 Correct the title.

EFFECT: Retains the provision that specifies the length of term

for the members on the Committee on Advanced Tuition appointed by the Governor for four-year terms instead of an unspecified period of time. Adds that the Committee on Advanced Tuition Payment utilize the State Actuary in reviewing the Guaranteed Education Tuition Program rather than a national recognized actuary. Adds a requirement that the governing body of the Guaranteed Education Tuition Program adopt an actuarially sound and prudently predictable payout value factor that provides long-term assets to meet the long-term obligations of the account. Removes all other provisions pertaining to new requirements after August 1, 2011.

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